

State of California—Health and Human Services Agency
Department of Health Services



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MEDI-CAL ELIGIBILITY PROCEDURES MANUAL LETTER NO.: 297

TO: ALL HOLDERS OF THE MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

SUBJECT: ARTICLE 22C – DETERMINING SUBSTANTIAL GAINFUL ACTIVITY

Enclosed is an update to the Medi-Cal Eligibility Procedures Manual, Article 22C-2, Determining Substantial Gainful Activity (SGA). This update provides the new SGA amount of \$830, which was effective January 2005. All County Welfare Directors Letter number 04-40 previously informed counties of this new amount.

Filing Instruction.

Remove Pages:

Article 22

Pages 22C-2.1 and 22C-2.2

Insert Pages:

Article 22

Pages 22C-2.1 and 22C-2.2

All questions regarding SGA procedures should be directed to Mr. Terry Durham at (916) 552-9483 or e-mail Tdurham@dhs.ca.gov.

Original signed by

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Enclosure

MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

22 C-2 -- DETERMINING SUBSTANTIAL GAINFUL ACTIVITY

1. BACKGROUND

Section 435.540 of 42 Code of Federal Regulations (CFR) requires Medi-Cal to use the Supplemental Security Income (SSI) definition of disability to decide whether a client is eligible for Medi-Cal based on disability.

To be considered disabled, SSI requires that an individual be.

"unable to engage in Substantial Gainful Activity (SGA), due to a medically determined physical or mental impairment, which is expected to result in death, or which is expected to last for a continuous period of 12 months"

A client who performs SGA is not disabled, even if a severe physical or mental impairment exists

2. THE CURRENT SGA AMOUNT

Since the SGA amount is now based on the federal average wage index, the dollar amount may be adjusted annually

- Using the new formula, the SGA amount has increased to \$830 per month effective January 1, 2005.

NOTE Since the SGA amount may change annually, future revisions to the manual regarding the actual SGA amount will only be reflected in this section. All other references to the SGA amount will only state "Current SGA Amount" and no dollar figure will be noted

3. WHEN TO USE THESE PROCEDURES

These procedures will be used when a client

- files for Medi-Cal disability, states on the MC 223 that he or she is working, and has gross earnings of more than the current SGA amount per month, or
- meets the criteria for Presumptive Disability (PD) but earns over the current SGA amount per month, PD should not be approved until an SGA determination is made (except as indicated in the "notes below")

NOTE Individuals applying for or enrolled in the 250 Percent Working Disabled (WD) program must meet the SSI federal definition of disability except that they may engage in SGA. When submitting disability packets to State Programs-Disability and Adult Programs Division (SP-DAPD), the MC 221 (Disability Transmittal Form) must indicate that the case is a 250 Percent WD case. For additional information regarding the 250 Percent WD program, see Section 5R of this manual

NOTE These procedures do not apply to clients who are blind, or to beneficiaries who return to work after disability has been approved. If an SGA evaluation was not performed because the client alleged blindness and SP-DAPD found that the client was disabled but not blind, an SGA evaluation must be performed before eligibility as a disabled person can be established

MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

4. PROCEDURES

A. SGA DETERMINATIONS

The EW shall determine whether a client is performing SGA when a client has earned income over the current SGA amount per month. The EW shall:

1. Obtain Client's gross monthly earnings (if irregular, earnings should be averaged). Earnings derived from In-Home Supportive Services are treated as earned income
2. Determine Whether there are impairment-related work expenses (IRWEs) or subsidies that can reduce earnings below the SGA amount (IRWEs and Subsidies are discussed further in this section)
3. Deny Medi-Cal disability application if "net countable earnings" are over the current SGA amount
4. Submit A full disability packet to SP-DAPD, including an MC 220, MC 221, and MC 223, only if "net countable earnings" do not exceed the current SGA amount
5. Alert Is sent to SP-DAPD via a DAPD Pending Information Update Form (MC 222) when a disability packet was sent to SP-DAPD and the client is subsequently found to be engaging in SGA. SP-DAPD will stop case development and return case to county of origin

Work Activity Report Form (MC 273, Exhibit 2) should be provided to client whose earnings are over the current SGA amount to help in making SGA determinations.

B. IMPAIRMENT-RELATED WORK EXPENSES

Impairment-related work expenses (IRWEs) are certain expenses that are incurred and paid by an impaired client to enable him/her to work

1. SGA Determination

IRWEs can be deducted from gross earnings to arrive at "net countable earnings"

If "net countable earnings" are over the current SGA amount, deny the application. For self-employment, IRWEs can be deducted from net income, if not already deducted from gross income as a business expense.

Example The current SGA amount is \$830. The client earns \$1,100 per month and has \$200 worth of IRWEs for special transportation costs to go to work and for medications needed to control a seizure disorder. In this example the "net countable earnings" are \$900 per month (\$1,100 - \$200). As "net countable earnings" (\$900) are more than the current SGA amount, the client is performing SGA and the application is denied.

Do NOT apply ABD-MN or AFDC MN/MI earned income deductions when determining SGA.